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UNCLAS KINSHASA 001477

SIPDIS

STATE FOR USITC, L.SCHLITT

E.O. 12958: N/A
TAGS: EAID ECON ETRD OTRA CG
SUBJECT: RESPONSE TO USITC REQUEST FOR INFORMATION

REF: A. STATE 137500

¶B. KINSHASA 1407

¶1. The following replies to USITC request for information relating to its study on U.S.-Sub-Saharan African Trade and Investment.

¶2. Since the inauguration of the Transitional Government in July 2003, the DRC has made progress in moving from a war to a peace economy in most of the country. Government control is being slowly extended to former rebel controlled provinces and tax receipts are increasing. Although politically difficult, some reforms are taking place. Fiscal and monetary discipline are largely maintained. The exchange rate has remained stable in both the formal and informal market over the past year and inflation has dropped to single digits. Many challenges remain: Political reintegration of the Kivus and parts of Oriental Province into Kinshasa's control as well as preparations for elections are priorities for the international community. The remainder of paragraph 2 follows the same format as paragraph 5 in Ref A.

¶A. From 2003 to present, there have been no major changes in DRC economic, trade or investment policies. In 2002, legislation drafted in concert with the World Bank was approved by the GDRC and provided new Mining, Forestry, Labor and Investment Codes. Implementation of these laws is done on a case-by-case basis as businesses bring questions and disputes to the government. The sole U.S. policy with potential to directly impact the DRC is AGOA III. Although the DRC is AGOA eligible for all but the textile provisions, local knowledge of AGOA is limited. The majority of exports to the U.S. under AGOA consist of petroleum.

¶B. The DRC is a member of EMAC, COMESA and SADC. There have been no major developments affecting the DRC within these groupings.

¶C. Although the World Bank has begun to apply its Private Sector Development Plan for the DRC, the restructuring of state-owned enterprises is moving very slowly. No privatization plans have begun in earnest. Political difficulties frustrate progress on privatization. State-owned enterprises are considered by many Congolese to be the patrimony of the country. Privatization, especially sale to foreign corporations, is widely viewed in a negative light. Futhermore, state-owned enterprises are historically a source of income for government officials. Loss of direct access to these resources is not very palatable, and the GDRC continues to try to hold onto its parastatals for as long as possible.

¶D. Post is unaware of any AGOA related investments or non-traditional export developments. Government reform efforts have included proposing anti-corruption and anti-money laundering legislation. Port security and customs clearance procedures have been improved over the last few months. The process for granting mining concessions has also been improved through the installation of the World Bank designed Cadastre Minier - Mining Concessions Authority (Ref B). On the initiative of the Belgian government, discussions have begun on reactivating the Great Lakes Economic Community. This is still in a very nascent stage.

¶E. Economic Counselor accompanied a team from the Corporate Council on Africa on an AGOA sensitization tour of the DRC during October 2003. Most major cities were covered. The presentation was well received by local business communities. This tour, and AGOA in general, also grabbed the high-level attention in the GDRC, including that of President Kabila and of one of his advisors. The new Foreign Minister has also expressed interest in AGOA directly to the Ambassador. However, a funamental misunderstanding still remains among many Congolese who believe that AGOA is a bilateral aid program, rather than an investment and export incentive program.
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